

Message Text

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17

ACTION EB-07

INFO OCT-01 EA-10 IO-10 ISO-00 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-02 RSC-01 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

FEA-01 /115 W

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R 060920Z FEB 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 8254

UNFO RUFHGV/US MISSION GENEVA 218

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMCONSUL HONG KONG

UNCLAS SEOUL 0812

GENEVA FOR MTN DELEGATION

HONG KONG FOR REGFINATT

E.O. 11652: N/A

TAGS: ETRD, KS

SUBJECT: KOREA HAS RECORD TRADE DEFICIT IN 1974

1. PRELIMINARY DATA SHOW KOREA'S 1974 TRADE DEFICIT ON CUSTOMS CLEARANCE BASIS (IMPORTS-CIEF; EXPORTS-FOB) SOARED TO RECORD \$2.4 BILLION. CORRESPONDING DEFICIT FOR 1973 WAS \$1.0 BILLION. WHILE TRENDING DOWNWARD THROUGHOUT LAST HALF OF YEAR, 1974 EXPORTS (EXCLUDING MINOR TUNA SALES ABROAD) TOTALED \$4,460 MILLION, UP 38 PERCENT. HOWEVER, LARGE PRICE INCREASES FOR CRUDE OIL AND OTHER ESSENTIAL MATERIALS CAUSED 1974 IMPORTS TO BALLOON BY 61 PERCENT TO \$6,844 MILLION. THERE ARE INDICATIONS, MOREOVER, THAT PRELIMINARY CUSTOMS DATA MAY UNDERSTATE VALUE OF BOTH LOAN-FINANCED AND CRUDE OIL IMPORTS.

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2. A. TRADE VALUES IN MILLIONS OF DOLLARS:

	U.S.	JAPAN	OTHERS	TOTAL
IMPORTS, CIF, 1973	1,202	1,727	1,311	4,240
IMPORTS, CIF, 1974	1,701	2,621	2,522	6,844
PERCENT INCREASE	42	52	92	61
EXPORTS, FOB, 1973	1,021	1,242	962	3,225
EXPORTS, FOB, 1974	1,492	1,380	1,588	4,460
PERCENT INCREASE	46	11	65	38
TRADE BALANCE, 1973	-181	-485	-349	-1,015
TRADE BALANCE, 1974	-209	-1,241	-934	-2,384
PERCENT INCREASE	15	156	168	135

B. MARKET SHARES (PERCENT)

IMPORTS, 1973	28	41	31	100
IMPORTS, 1974	25	38	37	100
EXPORTS, 1973	32	39	29	100
EXPORTS, 1974	33	31	36	100

3. THE NEARLY \$1.4 BILLION INCREASE IN KOREA'S TRADE DEFICIT IN 1974 WAS CAUSED ALMOST ENTIRELY BY JAPAN AND OTHER COUNTRIES (DEFICITS UP \$756 AND \$585 MILLION, RESPECTIVELY). KOREA'S DEFICIT WITH THE U.S. ROSE ONLY \$28 MILLION TO \$209 MILLION. HUGE INCREASE IN DEFICIT WITH JAPAN REPRESENTS
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DRAMATIC REVERSAL OF 1973 TREND WHEN KOREA'S EXPORTS TO BOOMING JAPANESE MARKET TRIPLED, RAISING HOPES THAT PERENNIAL SERIOUS IMBALANCE IN TRADE BETWEEN TWO COUNTRIES WAS ON WAY TO BEING REDUCED OR ELIMINATED. 1974 SLOWDOWN IN JAPANESE ECONOMY, HOWEVER, HAD MAJOR IMPACT ON KOREAN EXPORTS, PARTICULARLY IN FINAL SIX MONTHS. WHILE EXPORT TOTAL SHOWS MODEST 11 PERCENT INCREASE OVER 1973, IT FELL FAR SHORT OF OFFSETTING 52 PERCENT CLIMB IN COST OF IMPORTS FROM JAPAN. INCREASE IN COST OF CRUDE OIL IMPORTS ACCOUNTED FOR SHARP UPSWING IN DEFICIT WITH COUNTRIES OTHER THAN U.S. AND JAPAN.

4. KOREAN IMPORTS FROM U.S. GREW BY 42 PERCENT OR LESS THAN IMPORTS FROM JAPAN AND OTHER AND FAR BELOW 86 PERCENT INCREASE IN 1973. U.S. SHARE FELL FROM 28 TO 25 PERCENT WHILE SHARE OF COUNTRIES OTHER THAN U.S. AND JAPAN ROSE FROM 31 TO 37 PERCENT, LARGELY DUE TO OIL IMPORTS.

5. KOREAN EXPORTS TO U.S. HELD UP WELL GAINING 46 PERCENT COMPARED TO 35 PERCENT IN 1973, BUT DEMAND IN U.S. MARKET WAS ALSO WEAKENING AS YEAR WORE ON. IN ACCOUNTING FOR 33 PERCENT OF KOREA'S EXPORTS, U.S. MOVED BACK AHEAD OF JAPAN AS KOREA'S LARGEST SINGLE MARKET, A POSITION IT HAD LOST TO JAPAN IN 1973. JAPAN'S SHARE FELL FROM 39 TO 31 PERCENT. KOREA'S CONTINUED PROGRESS IN DIVERSIFYING ITS EXPORT MARKETS IS REFLECTED IN RISE IN SHARE OF OTHER COUNTRIES FROM 29 TO 36 PERCENT. OF THIS TOTAL 39 PERCENT OF \$617 MILLION WENT TO EUROPE, PRINCIPALLY TO GERMANY, NETHERLANDS AND THE U.K. OTHER MAJOR SUBTOTALS WERE: ASIA AND THE MIDDLE EAST OTHER THAN JAPAN - \$512 MILLION; WESTERN HEMISPHERE OTHER THAN U.S. - \$252 MILLION; AFRICA - \$89 MILLION; OCEANIA - \$85 MILLION; AND SPECIAL CATEGORY - \$33 MILLION.

6. FURTHER ANALYSIS OF 1974 TRADE RESULTS WILL FOLLOW BY AIRGRAM WHEN MORE COMPLETE DATA AVAILABLE.
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Message Attributes

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